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THE TRUE COST OF BUYING A HOME

Your Home May Be Your Biggest Asset – But It Could Also Be Your Most Expensive Purchase

What does a home really cost over **20 years?**

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The True Cost of Buying a Home

Your Home May Be Your Biggest Asset – But It Could Also Be Your Most Expensive Purchase

For most South Africans, buying a home is one of life's greatest achievements.

Owning a home provides security, stability and the opportunity to build long-term wealth. However, what many buyers fail to realise is that the purchase price advertised by the estate agent is only the beginning of the cost.

The true cost of owning a home extends far beyond the purchase price and monthly bond instalment.

Before signing a bond agreement, it is important to understand exactly what your home could cost you over the next 20 or 25 years.

The Hidden Cost of a Mortgage Bond

When you take out a mortgage bond, you are effectively renting money from the bank.

The bank charges interest on the money borrowed, and over time that interest can become substantial.

Consider the following example:

- Home Purchase Price: R2,000,000
- Bond Interest Rate: 11%
- Bond Term: 20 Years

The required monthly repayment would be approximately R20,644.

Most people look at the monthly repayment and conclude that the property is affordable.

What they often overlook is the total amount repaid over the full bond term.

Over 20 years:

- Total repayments: R4,954,504
- Original loan amount: R2,000,000
- Total interest paid to the bank: R2,954,504

In other words, the homeowner pays almost R3 million in interest alone.

The bank effectively receives more money than the homeowner originally borrowed.

Additional Costs of Home Ownership

The bond repayment is only one part of the equation.

Homeowners should also budget for:

Transfer Costs

When purchasing a property, buyers may incur:

- Transfer duty
- Conveyancing fees
- Bond registration costs
- Deeds office fees

These costs can amount to tens of thousands of rand.

Municipal Charges

Homeowners remain responsible for:

- Rates and taxes
- Refuse removal
- Water and sanitation
- Electricity

These costs generally increase each year.

Maintenance and Repairs

Unlike tenants, homeowners are responsible for all repairs and maintenance.

Common expenses include:

- Roof repairs
- Plumbing
- Painting
- Security upgrades
- Garden maintenance
- Appliance replacement

A useful guideline is to budget between 1% and 2% of the property's value annually for maintenance.

Insurance

Property owners should maintain:

- Building insurance
- Household contents insurance
- Life cover to settle the bond if required

These expenses form part of the true cost of home ownership.

The Cost of Time

Perhaps the biggest hidden cost is time.

The longer your bond remains outstanding, the more interest you pay.

During the early years of a bond, most of your monthly repayment is allocated to interest rather than reducing the capital balance.

This means that the bank receives a significant portion of your money before your debt begins reducing meaningfully.

The Mortgage Bond Reduction Strategy

The good news is that homeowners can dramatically reduce the total interest paid by making additional repayments.

Every extra rand paid into the bond immediately reduces the capital balance.

A lower capital balance means:

- Less interest charged
- Faster bond repayment
- Greater long-term wealth

Using the same R2 million bond example:

Standard Repayment Schedule

- Bond term: 20 years
- Total interest paid: R2,954,504

Accelerated Repayment Strategy

If repayments are increased by approximately 10% each year and the additional repayments are maintained consistently:

- Bond could be repaid in approximately 9 years
- Total interest paid: R1,364,045

Potential Saving

Interest saved: R1,590,459

That is over R1.5 million that remains in your pocket rather than being paid to the bank.

What Could You Do With an Extra R1.5 Million?

Imagine settling your bond 10 years earlier than planned.

Instead of paying the bank every month, those funds could be redirected towards:

- Retirement savings
- Tax-Free Savings Accounts
- Unit Trust Investments
- Children's education
- Emergency savings
- Building generational wealth

Once the bond is settled, your monthly cash flow improves dramatically.

The money that previously serviced debt can now be used to build wealth.

Use Windfalls Wisely

One of the easiest ways to accelerate bond repayment is to direct unexpected income towards the bond.

Examples include:

- Annual bonuses
- Tax refunds
- Commission earnings
- Inheritances
- Matured investments

Even occasional lump-sum contributions can significantly reduce the repayment period.

Should You Pay Off Your Bond or Invest?

This is one of the most common financial planning questions.

The answer depends on:

- Your age
- Financial objectives
- Risk tolerance
- Existing investments
- Retirement savings position

In many cases, the best solution is a balanced approach:

✓ Continue investing for retirement.

✓ Maintain an emergency fund.

✓ Invest consistently.

✓ Use surplus cash to reduce expensive debt.

A comprehensive financial plan can help determine the appropriate balance between investing and debt reduction.

Final Thoughts

Buying a home is one of the most important financial decisions you will ever make.

While property ownership can be a powerful wealth-building tool, many homeowners underestimate the true cost of carrying a bond over 20 or 25 years.

The reality is that interest can cost more than the original property itself.

The good news is that by making additional repayments and reducing your bond sooner, you can save hundreds of thousands—or even millions—of rand in interest while achieving financial freedom years earlier.

Remember, the goal is not simply to own a home, the goal is to own your home as quickly as possible and then redirect your money towards building lasting wealth.

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